

THRIVE BATON ROUGE

Baton Rouge, Louisiana

FINANCIAL REPORT

June 30, 2014

THRIVE BATON ROUGE

Baton Rouge, Louisiana

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Thrive Baton Rouge
Baton Rouge, Louisiana

We have audited the accompanying financial statements of **THRIVE BATON ROUGE** (a non-profit organization) (the School) which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **THRIVE BATON ROUGE** as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information


We have previously audited the School's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 30, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2014, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Certified Public Accountants

Baton Rouge, Louisiana
December 23, 2014

THRIVE BATON ROUGE

Baton Rouge, Louisiana

STATEMENT OF FINANCIAL POSITION

June 30, 2014

(with comparative amounts for 2013)

ASSETS		2014	2013
CURRENT ASSETS			
Cash	\$	41,781	\$ 241,400
Receivables - net		64,595	31,296
Prepaid expenses		15,205	12,625
Total current assets		121,581	285,321
PROPERTY, net		1,277,466	53,826
OTHER		-	20,000
Total assets	\$	<u>1,399,047</u>	<u>\$ 359,147</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$	37,670	\$ 24,227
Accrued expenses		32,070	23,708
Line of credit		135,000	-
Note payable		500,000	-
Total current liabilities		704,740	47,935
DEFERRED REVENUE		200,000	-
NET ASSETS			
Unrestricted		494,307	311,212
Total liabilities and net assets	\$	<u>1,399,047</u>	<u>\$ 359,147</u>

The accompanying notes to financial statements
are an integral part of this statement.

THRIVE BATON ROUGE

Baton Rouge, Louisiana

STATEMENT OF ACTIVITIES

For the year ended June 30, 2014
(with comparative amounts for 2013)

		Temporarily	Permanently	Totals	
	Unrestricted	Restricted	Restricted	2014	2013
REVENUES AND SUPPORT					
Grants:					
MFP	\$ 550,519	\$ -	\$ -	\$ 550,519	\$ 210,561
Federal grants	59,878	-	-	59,878	21,405
State and local grants	46,150	-	-	46,150	23,313
Contributions:					
School	-	325,000	-	325,000	111,000
Residential	260,343	175,000	-	435,343	424,394
Interest income	1,104	-	-	1,104	-
Total revenues and support	917,994	500,000	-	1,417,994	790,673
Changes in net asset restrictions:					
Released from restrictions	500,000	(500,000)	-	-	-
Total revenues, support and restriction	1,417,994	-	-	1,417,994	790,673
EXPENSES					
School activities:					
Instructional	467,715	-	-	467,715	214,380
Residential	463,946	-	-	463,946	251,432
General and administrative	303,238	-	-	303,238	171,153
Total expenses	1,234,899	-	-	1,234,899	636,965
Increase in net assets	183,095	-	-	183,095	153,708
NET ASSETS					
Beginning of year	311,212	-	-	311,212	157,504
End of year	\$ 494,307	\$ -	\$ -	\$ 494,307	\$ 311,212

The accompanying notes to financial statements
are an integral part of this statement.

THRIVE BATON ROUGE

Baton Rouge, Louisiana

STATEMENT OF CASH FLOWSFor the year ended June 30, 2014
(with comparative amounts for 2013)

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 183,095	\$ 153,708
Adjustments for non-cash items:		
Depreciation	22,556	6,623
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivable and prepaid expenses	(35,879)	6,854
Increase in deferred revenue	200,000	-
Increase in accounts payable and other liabilities	<u>21,805</u>	<u>39,894</u>
Net cash provided by operating activities	<u>391,577</u>	<u>207,079</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Refund (payment) of deposit	20,000	(20,000)
Acquisition of property	<u>(1,246,196)</u>	<u>(60,449)</u>
Net cash used by investing activities	<u>(1,226,196)</u>	<u>(80,449)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in line of credit	135,000	-
Proceeds from issuance of debt	<u>500,000</u>	<u>-</u>
Net cash provided by financing activities	<u>635,000</u>	<u>-</u>
Net (decrease) increase in cash	(199,619)	126,630
CASH		
Beginning of year	<u>241,400</u>	<u>114,770</u>
End of year	<u>\$ 41,781</u>	<u>\$ 241,400</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 10,452</u>	<u>\$ -</u>

The accompanying notes to financial statements
are an integral part of this statement.

THRIVE BATON ROUGE

Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Thrive Baton Rouge (the School) was incorporated on March 1, 2011, as a non-profit corporation under the laws of the State of Louisiana. The School operates under a contract with the East Baton Rouge Parish School System (EBRP) to establish a Type 1 charter school from July 1, 2012 through June 30, 2015, and may be renewed for successive periods of ten (10) years subject to the review of EBRP of the School's operations and compliance with regulatory and contractual requirements. Thrive is a public, tuition free, charter boarding school for students in sixth through twelfth grade serving at-risk students from East Baton Rouge Parish. The School started its second year with approximately 50 sixth and seventh grade students for the 2013-2014 school year.

Financial statement presentation

The School reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, which are described as follows:

Unrestricted Net Assets are net assets that are for general use and not subjected to restriction.

Temporarily Restricted Net Assets are net assets subject to donor-imposed stipulations that may or will be met by actions of the School and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets are net assets subject to donor-imposed stipulations that the School maintains the contribution permanently. The School did not have any permanently restricted net assets at June 30, 2014.

The statement of activities presents expenses of the School's operations functionally between program services, and general and administrative.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used primarily when accounting for depreciation and the allowance for doubtful accounts.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues

The School receives a large portion of its revenue from the Minimum Foundation Program (MFP) through the East Baton Rouge Parish School Board. The amount of MFP funding is based on an allocation of funds provided by the State of Louisiana and local taxes. The School also receives federal and private sector funding. Federal funds are through the Louisiana Department of Education or the East Baton Rouge Parish School Board. Private sector funding consists of donations from private foundations and individuals. Contributions are recognized at estimated fair value when the donor makes a pledge to give that is, in substance, an unconditional promise. The School does not recognize a conditional promise to give until the conditions upon which the promise depends are substantially met. A promise to give that calls for specific outcomes to be achieved is treated as a conditional promise to give. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the nature of donor restrictions. Substantially all revenues are unrestricted as to use.

Fair value financial instruments

The carrying value of cash, receivables, prepaid expenses, accounts payable, and accrued expenses approximates fair value due to the short-term maturity of these instruments. None of the financial instruments are held for trading purposes.

Cash

Cash, for purposes of the statement of cash flows, consists of cash on hand, demand deposit and savings accounts. The School typically maintains cash in local bank that may, at times, exceed FDIC insured limits of \$250,000. Management believes the risk is minimal.

Receivables

The receivables are stated at the amount management expects to collect. Management considers these amounts to be collectible; therefore, no allowance has been recorded. At June 30, 2014, the School had no receivables outstanding for longer than 90 days.

Property

Property is recorded at cost. Depreciation is recorded using the straight-line method over the estimated useful life of the asset. Expenditures for maintenance, repairs and minor renewals are expensed as incurred.

Deferred revenue

The School received a \$400,000 multi-year pledge; \$200,000 has been received on the pledge. The pledge is contingent upon construction of a new School complex to begin no later than October 2015. The remaining balance is to complete funding by September 2015.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional expenses

The School allocates its expenses on a functional basis among its various programs.

Tax-exempt status

The School is a non-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The School follows the provisions of FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Management of the School believes it has no material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax issues. The School's open audit periods are 2012 through 2014.

Paid time off

The School's policy states that employees can earn up to ten days of vacation and sick leave during the fiscal year and can carry over up to fifteen days into the next fiscal year.

Subsequent events

The School has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through the date of the independent auditors' report, which was the date the financial statements were available to be issued.

NOTE 2 - CONCENTRATIONS

The School receives the majority of its operating revenue from contributions received from private foundations and individuals. The remaining revenue is received as grants from the State of Louisiana, East Baton Rouge Parish School System, and from federal agencies. The percentage of revenue and receivables from these sources is as follows:

	Revenues	Receivables
Contributions from private foundations and individuals	28%	-
Minimum Foundation Program	60%	-
State and Local Grants	7%	87%
Federal Grants	5%	13%
Total	100%	100%

(Continued)

NOTE 3 - LEASES

The School has entered into a lease agreement for school and dormitory space at a rental rate of \$1.11 per square foot, or \$24,238 per month, including utilities. Total rental expense under this lease for the year ended June 30, 2014 was \$253,812. The lease expired on July 1, 2014 and has been extended for an additional one year period.

NOTE 4 - PROPERTY

Equipment, related service lives, and accumulated depreciation at June 30, 2014 were as follows:

	<u>Estimated Service Lives</u>	<u>2014</u>
Land	-	\$ 1,224,300
Equipment	3 years	47,211
Furniture and fixtures	5 years	33,884
Leasehold improvements	3 years	<u>1,250</u>
		1,306,645
Less accumulated depreciation		<u>(29,179)</u>
		<u><u>\$ 1,277,466</u></u>

Depreciation expense was \$22,556 for the year ended June 30, 2014.

NOTE 5 - LINE OF CREDIT

The School has two variable interest rate (3.25% at June 30, 2014) revolving lines of credit from two local banks with a borrowing limit of \$200,000 as of June 30, 2014. The outstanding balance of the lines of credit was \$135,000 at June 30, 2014.

The operating lines of credit are payable on demand and mature on October 4 and November 7, 2014. The lines of credit are secured by the School's accounts receivable, equipment, general intangibles, and fixtures.

NOTE 6 - NOTE PAYABLE

The School has a \$500,000 note payable with interest payments due quarterly at the *Wall Street Journal* prime rate (3.25% at June 30, 2014). The note balance is due on demand and is secured by property and pledge receivables. If no demand is made by the lending institution, principal payments are due in installments totaling \$400,000 in 2015 and \$100,000 in 2016.

NOTE 7 - RELATED PARTY

Thrive Foundation (the Foundation) was established in October 2013 to support the School, and is awaiting 501(c)(3) determination from the Internal Revenue Service. The School did not receive any support from the Foundation for the year ended June 30, 2014.

SUPPLEMENTARY INFORMATION

THRIVE BATON ROUGE

Baton Rouge, Louisiana

SCHEDULE OF FUNCTIONAL EXPENSES

For the year ended June 30, 2014
(with comparative amounts for 2013)

	Function			Total	
	School Activities		General and Administrative	2014	2013
	Instructional	Residential			
Salaries and wages	\$ 288,994	\$ 55,469	\$ 134,510	\$ 478,973	\$ 263,921
Rent	64,278	189,534	-	253,812	152,512
Consultants	-	121,715	108,391	230,106	79,519
Food and beverage	42,136	39,372	-	81,508	32,835
Utilities	9,361	31,533	-	40,894	19,235
Insurance	-	-	29,284	29,284	16,973
Travel	28,959	-	-	28,959	8,735
Materials and supplies	14,373	4,143	6,691	25,207	26,211
Depreciation	-	-	22,556	22,556	6,623
Repairs and maintenance	3,255	9,926	-	13,181	20,249
EBRPS administrative fee	10,981	-	-	10,981	4,211
Interest	2,613	7,839	-	10,452	-
Development	2,042	280	-	2,322	1,099
Recruiting	380	-	-	380	969
Fundraising	-	-	-	-	108
Other	343	4,135	1,806	6,284	3,765
Total expenses	<u>\$ 467,715</u>	<u>\$ 463,946</u>	<u>\$ 303,238</u>	<u>\$ 1,234,899</u>	<u>\$ 636,965</u>

See Independent Auditors' Report

Special Independent Auditors' Report

THRIVE BATON ROUGE

Baton Rouge, Louisiana

June 30, 2014



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Thrive Baton Rouge
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **THRIVE BATON ROUGE** (the School) (a non-profit organization) which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 23, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control that we consider to be a significant deficiency, which is described in the accompanying schedule of findings and questioned costs.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

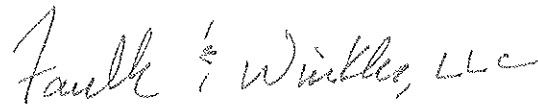
Thrive's Response to Findings

The School's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended for the information of the Board of Directors, management, state and federal granting agencies, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



Certified Public Accountants

Baton Rouge, Louisiana
December 23, 2014

THRIVE BATON ROUGE

Baton Rouge, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2014

2014 - 1 Credit Card Usage

Observation: During the audit process, it was determined that one receipt and/or other supporting documentation for charges made to credit cards was not maintained.

Recommendation: We recommend that management require that supporting receipts be submitted for all charges for which it is practical to obtain a receipt. Also, we recommend that the credit card bill be reviewed and properly authorized on a monthly basis with the authorization noted on the individual receipts or the bill itself.

Management's response: Management agrees with the finding and has established a policy incorporating the procedures as recommended above. These policies are currently being implemented.

THRIVE BATON ROUGE

Baton Rouge, Louisiana

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

For the year ended June 30, 2013

2013-1 Credit Card Usage

This finding has been reclassified as 2014-1.